

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

May 3, 2021

1:16 p.m.

**MEMBERS PRESENT**

Representative Josiah Patkotak, Chair  
Representative Calvin Schrage  
Representative Sara Hannan  
Representative George Rauscher  
Representative Mike Cronk  
Representative Ronald Gillham  
Representative Tom McKay

**MEMBERS ABSENT**

Representative Grier Hopkins, Vice Chair  
Representative Zack Fields

**COMMITTEE CALENDAR**

HOUSE CONCURRENT RESOLUTION NO. 2

Supporting the Alaska Ocean Cluster in its mission, efforts, and vision for a vibrant coastal economy in the state, its promotion of a diversified and resilient state economy that creates value from ocean resources, and its building of a statewide integrated ecosystem of innovation and entrepreneurship relating to the state's ocean economy.

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HCR 2

SHORT TITLE: SUPPORTING ALASKA OCEAN CLUSTER

SPONSOR(s): REPRESENTATIVE(s) STUTES

02/18/21	(H)	READ THE FIRST TIME - REFERRALS
02/18/21	(H)	FSH, RES
04/08/21	(H)	FSH AT 10:00 AM GRUENBERG 120
04/08/21	(H)	Heard & Held
04/08/21	(H)	MINUTE(FSH)
04/13/21	(H)	FSH AT 10:00 AM GRUENBERG 120
04/13/21	(H)	Moved HCR 2 Out of Committee
04/13/21	(H)	MINUTE(FSH)
04/14/21	(H)	FSH RPT 4DP 2NR

04/14/21 (H) DP: STORY, KREISS-TOMKINS, ORTIZ, TARR  
04/14/21 (H) NR: MCCABE, VANCE  
05/03/21 (H) RES AT 1:00 PM BARNES 124

#### **WITNESS REGISTER**

REPRESENTATIVE LOUISE STUTES  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, introduced HCR 2.

SARA PERMAN, Staff  
Representative Louise Stutes  
Juneau, Alaska

**POSITION STATEMENT:** Presented HCR 2 on behalf of Representative Stutes, prime sponsor.

JUSTIN STERNBERG, Program Director  
Alaska Ocean Cluster  
Anchorage, Alaska

**POSITION STATEMENT:** Provided information and answered questions during the hearing on HCR 2.

#### **ACTION NARRATIVE**

[1:16:12 PM](#)

**CHAIR JOSIAH PATKOTAK** called the House Resources Standing Committee meeting to order at 1:16 p.m. Representatives McKay, Cronk, Schrage, Gillham, Hannan, and Patkotak were present at the call to order. Representative Rauscher arrived as the meeting was in progress.

#### **HCR 2-SUPPORTING ALASKA OCEAN CLUSTER**

[1:17:01 PM](#)

CHAIR PATKOTAK announced that the only order of business would be HOUSE CONCURRENT RESOLUTION NO. 2, "Supporting the Alaska Ocean Cluster in its mission, efforts, and vision for a vibrant coastal economy in the state, its promotion of a diversified and resilient state economy that creates value from ocean resources, and its building of a statewide integrated ecosystem of innovation and entrepreneurship relating to the state's ocean economy."

[1:17:43 PM](#)

REPRESENTATIVE LOUISE STUTES, Alaska State Legislature, as prime sponsor, introduced HCR 2. She described the Alaska Ocean Cluster (AOC) and its work developing Alaska's ocean resources, characterizing it as an economic incubator focusing on innovation in commercialization in ocean products-related industries. She said that supporting HCR 2 would send a clear message acknowledging Alaska's strategic position in the ocean industry.

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SARA PERMAN, Staff, Representative Louise Stutes, paraphrased the Sponsor Statement on behalf of Representative Stutes, prime sponsor, which read as follows [original punctuation provided]:

Alaska is poised to be the nation's leader in mariculture and ocean-based business development. Our state is home to half of the nation's coastline and approximately one-third of the nation's exclusive economic zone. Major marine and inland aquatic Alaskan industries include offshore oil and gas exploration, fisheries, shipping, and tourism. Alaska's substantial ocean economy— its "blue economy"— will continue to grow as significant climate and political shifts open the state for more opportunities. Globally, the blue economy is expected to double to an estimated 3 trillion dollars by 2030. Alaska's importance is undeniable, with the state producing 60% of the United States' seafood and possessing well over half of the nation's coastline and potential ocean energy resources.

In 2017, the Bering Sea Fisherman's Association launched the Alaska Ocean Cluster to enhance maritime growth and development in the state. The Alaska Ocean Cluster actively promotes Alaska's blue economy by leveraging our current strengths while bolstering new and emerging innovative opportunities to diversify our economy. The Alaska Ocean Cluster focuses on expanding ocean energy production, mariculture, and transportation opportunities. Modeled after similar successful similar ventures from around the world, the Alaska Ocean Cluster brings together a coalition of private, public, and academic shareholders to support each other through cooperative research and a shared vision.

The recent decline in financial resources in Alaska warrants a renewed effort to develop a diversified and resilient economy and workforce in the state. In this regard, Alaska Ocean Cluster will help position the state to grow Alaska's blue economy into the future. This resolution proclaims the 32nd Alaska State Legislature's support for the efforts of the Alaska Ocean Cluster in developing a sustainable, collaborative ocean economy in our state.

MS. PERMAN noted that AOC receives funding from several sources including large federal grants like those from the U.S. Economic Development Administration (EDA), and that AOC is working with Alaska's congressional delegation to increase federal appropriation opportunities. She said that passage of HCR 2 would send a message to federal agencies that the Alaska State Legislature supports Alaska's maritime economy. She emphasized that Alaska leads the nation in maritime access and industries.

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JUSTIN STERNBERG, Program Director, Alaska Ocean Cluster, provided information and answered questions during the hearing on HCR 2. He described the background of AOC, which is in its third year, and noted that it receives fiscal sponsorship from the Bering Sea Fishermen's Association (BSFA), with additional funds being developed through fee-for-service and memberships. He said that in 2020 AOC was awarded the \$2 million Build to Scale Industry Challenge Grant from EDA and used it to fund the Blue Pipeline Venture Studio, which scales early-stage ocean-based businesses. He noted AOC's key management Taylor Holshouser, Director of Business Development, and Garrett Evridge, who had previously been the chief fisheries economist at McKinley Research Group. He described the targets of AOC's entrepreneurship program, including mariculture and a research and development program focused on using 100 percent of each fish caught.

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REPRESENTATIVE RAUSCHER asked for more information on clusters.

MR. STERNBERG explained that there's a need and opportunity for investment in ocean-based businesses, especially in rural Alaska, with opportunities in innovation, job creation, and engagement with existing industries. He said that the work in

the Blue Pipeline Venture Studio differs from a regular business incubator in that AOC staff actively work alongside the fledgling businesses instead of simply providing support. He noted that AOC has been working with the University of Alaska (UA) in developing the Alaska Blue Economy Center and, in cooperation with established ocean clusters in Seattle, Washington, San Diego, California, and Iceland, is learning from their successes and "borrowing their best practices" to apply in Alaska.

REPRESENTATIVE RAUSCHER asked about AOC's organizational structure.

MR. STERNBERG replied that AOC currently has three full-time staff and some contractors, with each person tasked with the responsibility of their specific area of expertise. He said that the organization is run as a nonprofit with support from BSFA, which has functioned as a business incubator in the past.

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REPRESENTATIVE GILLHAM asked, "What is a blue pipeline?"

MR. STERNBERG described "blue pipeline" as the branding name representing the ocean and its associated stream of opportunities and development. He said the branding imagery represents "creating a pipeline" of jobs and new businesses.

REPRESENTATIVE GILLHAM expressed that "maritime partnerships" seem to be partnerships between commercial fishermen, crabbers, and shrimpers.

MR. STERNBERG said that a maritime partnership could encompass many areas of the economy including commercial and sport fishing, coastal tourism, ocean energy, mariculture development, industry academia, entrepreneurs, and investors. He noted the amount of capital flowing into the "blue economy" and said that at the current pace, the worldwide ocean economy will grow from \$1.5 trillion in 2016 to \$3 trillion by 2030. He said technology is developing rapidly and in need of locations in which to operate.

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MS. PERMAN interjected to describe the concept of a "startup incubator" as an organization working with a business that has the technology, or an idea for a business innovation, but they

don't know how to get capital or the means to develop their organization. Through working with groups like the AOC, she explained, a business may develop internal leadership structures and funding sources to grow the business from a conceptual idea to a contributing member of the economy.

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REPRESENTATIVE HANNAN asked Mr. Sternberg whether ocean clusters could have a relationship with the U.S. Department of Defense, especially considering Alaska's strategic location, or whether that would be outside the scope of development.

MR. STERNBERG replied that AOC is involved in collaborating with government agencies and noted that the Build to Scale Grant included a partnership with the Arctic Domain Awareness Center, which is part of the U.S. Department of Homeland Security and hosted through UA. He said that many technologies, such as those used for monitoring for vessels or submarines, could be applied in other areas. He said that one of the companies in the Blue Pipeline Venture Studio is using artificial intelligence to map present and future sea ice locations.

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REPRESENTATIVE MCKAY asked how AOC could work with the oil and gas industry, and what oil and gas entities are currently part of the cluster.

MR. STERNBERG replied that oil and gas exploration has traditionally been a part of discussions of the ocean economy; however, with a staff of only three people, AOC has not engaged in that area. He noted efforts and technological innovations in oil cleanup, and said that Alaska's economy has been so focused on oil that AOC is working towards diversifying into other offshore businesses such as seaweed farming, which would have a net benefit to the environment because it's cleaning the ocean as well as providing the resource. He stressed the desire to develop industries that could grow a sustainable ocean economy with renewable resources.

REPRESENTATIVE MCKAY said that since AOC isn't advocating for oil and gas exploration, it should be removed from the documentation. He said, "I think this is a little misleading, if you're not even working on oil and gas exploration or development in the Alaska offshore."

MS. PERMAN interjected and said that the sponsor statement simply said that major maritime industries include oil and gas exploration, rather than specifically referring to the work done by AOC.

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CHAIR PATKOTAK opened public testimony on HCR 2. After ascertaining that no one wished to testify, he closed public testimony.

[1:47:55 PM](#)

CHAIR PATKOTAK announced that HCR 2 was held over.

[1:49:32 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 1:50 p.m.